

MOTION BY SUPERVISOR GLORIA MOLINA

June 29, 2010

In April of 2009, the California Department of Housing and Community Development (HCD) issued a Notice of Funding Availability for State of California Neighborhood Stabilization Program funds (State NSP funds). The Community Development Commission (Commission) submitted a successful application and was awarded \$4,804,152 in State NSP funds for its Housing and Economic Recovery Ownership State (HERO) program. The approved HERO State program provides income eligible borrowers with deferred, zero percent interest, second trust deed loans to purchase foreclosed, abandoned or vacant properties. The program also provides rehabilitation grants, subsequent to the close of escrow, for owners to rehabilitate their properties.

On October 29, 2009, the Commission entered into a grant agreement with HCD. However, the State did not release the funds until February 22, 2010, due to ongoing negotiations regarding the State's original requirement preventing buyers from occupying their homes before rehabilitation work was completed. Following the State's concurrence with the Commission that this requirement would put an undue burden on borrowers, the Addendum was executed without this stipulation and the Commission began incurring costs.

MOTION

Ridley-Thomas _____

Yaroslavsky _____

Knabe _____

Antonovich _____

Molina _____

These delays impacted the Commission's ability to meet the State's March 31, 2010, 75 percent fund obligation deadline. The Board of Supervisors sent a five-signature letter to HCD on March 3, 2010 requesting an extension of the 75 percent fund obligation deadline until June 30, 2010. On June 10, 2010, I authored an additional letter requesting the State to extend their 100 percent fund obligation deadline from June 30, 2010 to August 15, 2010. The Commission has committed all of its acquisition funds and has made a good faith effort to meet the State deadline to obligate the rehabilitation funds.

On June 8, 2010, HCD informed the Commission that, notwithstanding the Commission's successful obligation of all acquisition funds, all rehabilitation contracts between homebuyers and contractors must be submitted and executed before June 30, 2010. This is not a federal deadline, but has been imposed by the State and will jeopardize the close of escrow for 20 families that are participating in the program, causing them to lose their escrow deposits. Banks will not allow contractors onsite while the buyers are in escrow in order to develop the necessary rehabilitation scope of work, and therefore, rehabilitation contracts cannot be executed until after escrow closes.

In order to prevent the 20 families from losing their deposits, the Commission can supplement the HERO State program with City of Industry Redevelopment Housing Set Aside (Industry) funds, HOME Investment Partnerships Program (HOME) funds and Housing Mortgage Revenue Bond fees, which would be used for the rehabilitation component of the HERO State program. The appropriate funding source will be utilized depending on the geographic location of the home, median family income, cost to cure all code violations, and regulations governing the funding source. The rehabilitation of the properties would be conducted under the Commission's existing Single Family Grant

Program guidelines.

Housing Bond fees, Industry funds, and HOME funds can be used to promote affordable housing in the County through activities such as homeowner rehabilitation and would be used to help fund grants for homeowner assistance as a result of this action.

The use of these additional funding sources would allow the 20 homebuyers, currently in escrow, to complete the purchase of their homes and enable them to enter into rehabilitation contracts after the close of escrow.

I, THEREFORE, MOVE THAT THE BOARD, ACTING AS THE BOARD OF COMMISSIONERS OF THE COMMUNITY DEVELOPMENT COMMISSION:

1. Find that the use of HOME funds and Bond Fees to help fund rehabilitation grants under the HERO State Program is not subject to the California Environmental Quality Act (CEQA) because the proposed activity is not defined as a project under CEQA and will not have the potential for causing a significant effect on the environment; and
2. Approve and authorize the Executive Director to use up to \$200,000 in HOME funds to help fund rehabilitation grants under the State HERO Program and to incorporate these funds, as needed, into the Commission's Fiscal Year 2010-2011 budget; and
3. Approve and authorize the Executive Director to use up to \$100,000 in Bond Fees to help fund rehabilitation grants under the State HERO Program and to incorporate these funds, as needed, into the Commission's Fiscal Year 2010-2011 budget.

I, FURTHER, MOVE THAT THE BOARD, ACTING AS THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY:

1. Find that the use of Industry funds to help fund rehabilitation grants under the HERO State Program is not subject to the California Environmental Quality Act (CEQA) because the proposed activity is not defined as a project under CEQA and will not have the potential for causing a significant effect on the environment; and
2. Approve and authorize the Executive Director to grant up to \$300,000 in Industry funds to help fund rehabilitation grants under the State HERO Program and to incorporate these funds, as needed, into the Housing Authority's Fiscal Year 2010-2011 budget.

NE/sf